

Communication from Public

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Council File No: 14-1371-S13
Comments for Public Posting: Please see the attached letter from the Hotel Association of Los Angeles



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Oct. 8, 2024

The Honorable Curren Price
Chair, Economic, Community Development & Jobs Committee
Los Angeles City Council
200 N. Spring St. #430
Los Angeles, CA 90012

RE: Council File: 14-1371-S13: Los Angeles Living Wage Ordinance (LWO) / Los Angeles Hotel Worker Minimum Wage Ordinance (LA HWMO) / Wage Increase / Health Care Credit / Public Housekeeping Training / Amendments

Dear Councilmember Price,

On behalf of the Hotel Association of Los Angeles (HALA) and our 270 members, ranging from large international hotel chains to small and family-owned boutique properties, I want to congratulate you on your chairmanship of the Economic, Community Development & Jobs Committee. This committee has the important task of considering matters of wages, hours and working conditions of non-city employees. We applaud the City for elevating these important matters to the committee.

I understand one of the first orders of business for the new committee will be consideration of the proposed Hotel Worker Minimum Wage Ordinance and accompanying economic impact analysis from Berkeley Economic Advising and Research (BEAR). HALA has requested a briefing with you and your staff to review our concerns as well as our proposed compromises that support both businesses and employees. We look forward to that conversation. In the meantime, I would like to draw your attention to the broad coalition of hotel operators, small businesses, employees and vendors who have raised serious concerns about this proposal. In fact, when the Trade, Travel and Tourism Committee was prepared to hear the ordinance in September, this group:

- Submitted **127 letters** – from hoteliers alone – expressing concerns and calling for a compromise proposal;
- Mobilized **over 400 businesses** – hotel owners, small businesses, and industry leaders – for public comment; and
- Provided **over 3,000 signed petitions**, calling for the City to get the economic information the City Council originally requested over a year ago.

Our hotels are committed to ensuring employees are compensated and trained appropriately, and we applaud the City's attention to this issue. However, the proposed Hotel Worker Minimum Wage Ordinance is misguided and its economic impact analysis utterly incomplete. Below please find a recap of our concerns with the ordinance and economic analysis:

BEAR Analysis Lacks Economic Context: BEAR's report fails to provide historical context on how previous wage increases were implemented. When the first Living Wage Ordinance was passed in 2013, travel and tourism in Los Angeles was booming. Hotels were on a seven-year market upswing and interest rates were at record lows. Those factors made it easier to absorb higher labor costs. Opposite market conditions exist today. Hotels are struggling in a multi-year down swing and interest rates are at near historic highs.

COVID-19 Pandemic Recovery: Tourism has not returned to pre-pandemic levels. [The Los Angeles Times](#) recently reported 75 million passengers traveled through LAX in 2023 compared to 88 million in 2019. Transient Occupancy Tax (TOT) contributions to the City's revenue – which were notably omitted by the researchers in the economic analysis – have been slow to meet anticipated projections. During the 2023-24 fiscal year, the City's TOT revenue was nearly \$20 million lower than projected. Citywide conventions have also not returned to pre-pandemic levels and continue to fail to meet forecasted projections. In 2024, the City was projected to have 25 to 28 citywide conventions (a projection lower than pre-pandemic averages); instead the City will only host 17, which is down from the 21 citywide conventions Los Angeles hosted in 2023 (Los Angeles Tourism and Convention Board).

Rapidly Increasing Labor Costs: The proposed ordinance calls for a dramatic increase in hotel wages within 60 days of adoption. Increasing hourly wages to \$24.40 with an additional \$8.35 for health benefits would result in a 69% increase in payroll in just two months. No industry can afford that financial uptick in such a short period of time.

Disparate Impact on Hotels: The study underestimates the number of hotels that would be impacted by this ordinance. Even more egregiously, the researchers failed to look into which hotels would be impacted and how they would be impacted. Among the hotels covered by the proposed ordinance, an estimated 67 are small family-owned businesses with 60 to 150 rooms total, according to the California Hotel and Lodging Association. These hotels largely fall

outside of the major tourism corridors of downtown, Hollywood and LAX and are instead disproportionately located in the San Fernando Valley.

Impact to Businesses: The analysis fails to consider the real-world impacts to the hospitality industry, small businesses, employees and vendors. Were the proposed wage increases to take effect, businesses may have no choice but to reduce services and amenities like food and beverage or valet parking, eliminate positions, or close operations. Closures and service reductions of this nature would have a ripple effect, including drastically reducing deliveries to hotels from drivers represented by the Teamsters. This impact runs counter to the intention of the ordinance and yet the analysis again fails to consider the scale of losses across sectors.

Impact on Construction and Major Renovations: The BEAR analysis does not consider that drastic wage increases will halt hotel construction and negatively impact construction and skilled trades jobs. Hotel construction is overwhelmingly built with project labor agreements; what happens to those jobs when construction projects don't move forward? Furthermore, the analysis does not consider the permanent jobs that won't materialize if additional hotels are not built. In downtown Los Angeles alone, there are several entitled hotel projects that have not moved to pull permits as Los Angeles seeks to make the cost of doing business more expensive.

Lost Tax Dollars, Economic Opportunities: The BEAR analysis finds the proposed wage increase would reduce consumer spending by \$21 million and decrease business revenue by \$227 million over four years. A study from Oxford Economics, commissioned by the Los Angeles Area Chamber of Commerce, found the economic impacts could be even more dire. Increasing the hourly wage to \$25 could result in a loss of \$1.9 billion of business sales annually, resulting in 12,187 lost jobs in the broader City of Los Angeles economy and \$138 million of lost state and local tax revenue.

Impacts of 2028 Olympics: Both the City's 2023 motion and BEAR's report work from the faulty supposition the 2028 Summer Olympics will create a windfall for hotels. Even minimal research would have shown the analysts that LA area hotels agreed nearly a decade ago to lock 40,000 rooms into blocks with pre-determined rates that are significantly lower than "market prices" at the summer peak of the Los Angeles tourism season. And, far from making exorbitant money on this year's Olympics, preliminary data from Paris shows that hotels suffered high vacancies and low revenues during what normally would have been the height of tourist travel season. The Parisian Olympics also proved to be a drain on leisure and business hotel bookings months before and months after the Olympics.

Businesses need stable and predictable regulatory environments in order to succeed. The City's proposed wage increase would be unaffordable and create tremendous uncertainty for hotel operators as they consider staffing levels, service to guests, and construction and renovation projects. Our industry is continuing to recover from the pandemic.

We look forward to having this important conversation with you and finding a path forward that supports both workers and the local businesses that employ them.

Sincerely,
Board of Directors
Hotel Association of Los Angeles

cc:

- Mayor Karen Bass
- Members, Los Angeles City Council
- Rachel Freeman, Deputy Mayor
- Sharon Tso, Chief Legislative Analyst
- Matthew Szabo, City Administrative Office